I have a whole of life insurance policy sustained over the past 18 years. I very recently did a detailed evaluation and competitive assessment of that policy only to find that actuarial facts material to a reasonable consumer's consideration were maliciously withheld and evanesced so as to cause a reasonable consumer, such as myself, to seriously miscalculate the value of the product offered.

I was shocked to discover the following:

1) I had always been told and assumed the home truth that premiums would constitute a minor portion of my whole of life insurance payout, and that premiums reinvested over a lifetime by the insurer made up the lion share of that sum. I found this to be a complete myth! My recent analysis of 10 Australian insurers showed that the majority of them actually collect substantially more in premiums alone than the payout eventually made by them (in the unlikely event that payout is made at all – see item #4 below).
2) All of the companies surveyed quoted stepped premiums without disclosing or explaining its implications (ie. that by the time you reach your life expectancy your premium will be more than 12% of the sum insured each and every year you continue to live, provided they did not surreptitiously truncate indexation in their exclusively post-purchase PDS).
3) Converting to level premiums at any time during the policy does not circumvent the severe pain experienced by stepped premiums in later years, simply because it so seriously degrades the sum insured as to have the same detrimental outcome (ie. The sum insured is so severely impaired that premiums paid far outstrip the payout).
4) Like most Australian consumers, I had always accepted the proposition that life insurance was an investment in my future, since no matter what unexpected events were held in life's journey, there would always be some return to my estate. This is completely false, given the unacceptably high premiums that I would find myself unable to sustain in retirement as I approached my average life expectancy of 85 years old. As a fair and able consumer I would have expected a clear and conspicuous WARNING at the very outset, that in all probability I would be entirely unable to sustain my life insurance policy to full term!
5) All the insurers refused to give any estimate of future premiums unless I purchased their product, despite this information being at the very core of actuarial analysis (see this USA site: http://termlifeinsurancemales.com/life-insurance-by-age/)
6) All refused to give a PDS prior to purchasing their policy. They all appeared to maintain a position that a consumer was not entitled to the full particulars of a policy prior to purchase.
7) None disclosed the fact that they terminate CPI indexing far short of full life expectancy, most by more than a 20 years shortfall. I found that this information could only be obtained after purchasing and committing to their proposed policy. The net effect is greater than a 50% increase in payout had indexation remained in place for the full term of the policy.
8) The idea that taking out life insurance when young and holding it throughout life was thought to be advantageous and gave rise to a discount on your premiums in exchange for your customer loyalty. This is completely false! In fact, changing insurers every year or two in pursuit of the best premiums available on the market is the only sensible strategy suggested by my analysis. I retained a policy for 18 years, only to discover that if I cancelled that very policy and took out an equivalent policy the very next day with the very same insurer, my premium reduced by 14%.

I find all of these matters highly anti-competitive, each denying consumers the information they would reasonably require to make a fair and balanced buying decision. The only conclusion that can be drawn from the analysis is that any consumer, including myself, who thinks that they will receive a return on investment in whole of life insurance is being deceived. Should they happen to be an average Australian who is guaranteed to live, on average, to their life expectancy, then firstly they are extremely unlikely to be able to sustain their life insurance premiums until death (in which case their return becomes zero – all premiums down the drain), and secondly, in the unlikely event that they did sustain the premiums into later years, their return in terms of dollar value at death will be substantially less than the series of premium payments they have made over their lifetime. Not only will your payout be at a substantial discount to the series of premiums you had paid, you would receive nothing of the invested income that those premiums had produced over so many decades through the financial expertise of the insurer.

Further, all of the insurers that were scrutinized demonstrated a propensity to freeze CPI increases on the insured sum after retirement age, without an appropriate and commiserate reduction in premiums. The impact of this caveat, which in all cases was undisclosed prior to purchase and inconspicuous to the average Australian consumer, is a 30%-40% reduction in the whole of life payout as measured against the average Australian life expectancy.

Important disclosure information that a reasonable consumer should be offered and have available without request, for a substantial pre-cooling off period (let's say three days) before they commit to purchase a whole of life policy:

a) A copy of the proposed PDS for the substantial period before policy commitment (unless the prospective policy buyer specifically waivers this right);
b) An estimate of the cumulative sum total of all premiums they will need to pay from the policy start date until their determined life expectancy, in order to reasonably assure themselves that it meets their expectations of payout ratio (payout at average life expectancy compared to accumulated periodic premium payments that are proposed on periodic/monthly/annual demand);
c) An estimate of the premium demanded at the year of life expectancy (an estimated future dollar amount that the insurer would charge for it's actuarial estimated annual premium at the anniversary of average life expectancy) in order for an ordinary consumer to make an informed decision about the affordability of the policy offered into its full term of expected average senior age and beyond;
d) A definitive statement about changes/termination of indexation and its implicit relationship to the sum insured (ie. CPI will be terminated at age 65 years resulting in a reduction of 32% in the final payout as compared to indexation applied to full life expectancy);
e) A clear declaration as to the applicability of section 206(2) of the *Life Insurance Act 1995* must be presented in the PDS and communicated verbally to the policy buyer prior to purchase;
f) As a fully informed consumer, all of the above information must be given prior to a buying decision being enacted.

A Case Study in Insurance Premium Increases

Date	Age	Co	Sum Insured	%	Premium	Increase	%
17-Oct-00	44		$356,009		$468.02		15.00%
17-Oct-01	45	ING Life	$366,689		$538.22	$70.20	15.00%
17-Oct-02	46	ING Life	$377,690	3.0%	$618.95	$80.73	15.00%
17-Oct-03	47	ING Life	$389,021	3.0%	$703.67	$84.72	13.69%
17-Oct-04	48	ING Life	$400,691	3.0%	$809.22	$105.55	15.00%
17-Oct-05	49	ING Life	$412,712	3.0%	$930.60	$121.38	15.00%
17-Oct-06	50	ING Life	$425,093	3.0%	$1,070.19	$139.59	15.00%
17-Oct-07	51	ING Life	$437,846	3.0%	$1,230.72	$160.53	15.00%
17-Oct-08	52	ING Life	$452,296	3.3%	$1,391.72	$161.00	13.08%
17-Oct-09	53	ING Life	$467,699	3.4%	$1,621.44	$229.72	16.51%
17-Oct-10	54	ING Life	$483,102	3.3%	$1,877.15	$255.71	15.77%
17-Oct-11	55	OnePath	$498,061	3.1%	$2,157.12	$279.97	14.91%
17-Oct-12	56	OnePath	$513,020	3.0%	$2,266.78	$109.66	5.08%
17-Oct-13	57	OnePath	$528,411	3.0%	$2,642.08	$375.30	16.56%
17-Oct-14	58	OnePath	$544,263	3.0%	$3,088.63	$446.55	16.90%
17-Oct-15	59	OnePath	$560,591	3.0%	$3,615.83	$527.20	17.07%
17-Oct-16	60	OnePath	$577,409	3.0%	$4,235.97	$620.14	17.15%
17-Oct-17	61	OnePath	$594,731	3.0%	$4,972.46	$736.49	17.39%
		Average Increases		**3.1%**			**14.9%**

The table above recounts the actual "Sum Insured" and actual "Annual Premiums" for life insurance I received from a legacy employer when I terminated with them in July 2001 (Note that the yellow boxes are interpolations since the original documentation could not be located in time for this Commission submission, but that those interpolations are entirely reasonable and consistent). The average annual increase in Insured Sum was 3.1%. The average annual increase in Premium was 14.9%.

The original policy was with ING Life (2000 - 2010), with an expiration of 2036, which was later bought out by ANZ's OnePath Life Limited (2011 - 2017), with an expiration of 2086. In 2017, I began to contemplate the extraordinary growth in Premiums that I was observing. I embarked on a quest to understand what my insurance obligation might look like in a whole of life context. I asked OnePath for additional data to help inform my decisions. I requested a forward looking 20 year forecast from them, but was told that only a 5 year forecast was available. On 24-Oct-2017 I received the following data from them.

A Case Study - Projected Insurance Premium Increases

Date	Age	Co	Sum Insured	%	Premium	Increase	%
17-Oct-17	61	OnePath	$594,731	3.0%	$4,972.46	$736.49	17.39%
17-Oct-18	62	OnePath	$612,573	3.0%	$5,846.93	$874.47	17.59%
17-Oct-19	63	OnePath	$630,950	3.0%	$6,868.62	$1,021.69	17.47%
17-Oct-20	64	OnePath	$649,879	3.0%	$8,078.58	$1,209.96	17.62%
17-Oct-21	65	OnePath	$669,375	3.0%	$9,410.69	$1,332.11	16.49%
		Average Increases		**3.0%**			**17.3%**

Average Premium Increases from 2000 through 2021 is 15.46%.

Now, I am a Mechanical Engineer, and in no way hold myself out to be an Insurance Actuary. But I am also not an idiot and could well be said to represent the capabilities of the average Australian Life Insurance Consumer. Had I known in July of 2001 that the annual premiums would increase in the subsequent 20 years from $468.02 to $9,410.69 I most certainly would have been much more thoughtful as a consumer. Like the average consumer, I accept that financial matter have ups and downs, filled with of all manner of cycles. It is the job of insurance actuaries to estimate CIP data, inflation, life expectancy and risk over the life of the policies they offer. In the case of OnePath that would be an estimate through to the year 2086.

I have asked for long term projections from a broad range of life insurance providers, but have been left seriously wanting. I therefore make my own reasonable assumptions, as any average consumer would, about factors that affect the term of the Life Insurance policy that I have purchased and have been maintaining:

1) Australian male in good health, born in 1956, will have a life expectancy of **85** years. Fifty percent of my cohort should die before 2041 and fifty percent should after that year. I should on average expect to live to 2041.
2) Average Australian Annual Inflation Rate (2000-2017) = 2.78%. I can therefore accept **3.0%** as a sound indexation approach.
3) Since insurance companies refuse to give me, as an average Australian consumer, an estimate of premium increases through to my average life expectancy nor an estimate of the life of the policy they are selling me (2087), then it is reasonable for me to assume the 20 year historical record as being appropriate = **15.46%**.
4) All Ordinaries Index Fund performance (1983-2018) was **6.36%** over the last 35 years. This would be a reasonable low cost place for an insurer to invest funds. And an investment return of 6.36% also appears very reasonable over a long investment horizon. No consideration is give here about APRA regulations or restrictions.

I now ask myself what my policy will look like at age 85, a very reasonable expectation on my part, as an average Australian consumer. My sum insured indexed every year by 3.0% and in 2041 would be $1,208,966 in value. My annual premium has grown 15.46% year-on-year and by 2041 will be $166,821 annual bill, or $92,365 in today's dollars. A future me would find such heavy annual premium unsustainable and I put it to the Commission that any fair-minded Australian consumer would feel equally horrified. Surely I should have been given some idea that the premium burden would be unbearable well before the average term of my life expectancy! I terminated my policy with OnePath before paying my 2017 premium invoice. Had ING disclosed their premium forecast back on 17-Oct-2000, I would never have taken the policy over from my employer.

To add insult to injury, the cumulative premiums I will have paid between 17-Oct-2000 and 17-Oct-2041 will be $1,240,037 in total. If the premiums were invested as Warren Buffett and GEICO would have one believe is the normal practice with insurers, then the total of premium stream and investment income at 6.36%, between 17-Oct-2000 and 17-Oct-2041, accumulates to $2,164,006.66 in asset value. This compares with the payout, should I die at 85 (the most likely possibility) of $1,208,966 in policy redemption value. For an insurer to make in excess of 1.4% of total assets under management is extraordinary. And that is an absolute minimum when all policies are held to full term.

I urge the Commissioner, in the strongest possible terms, to re-instate the normal terms of Australian Consumer Law to the insurance industry. A consumer has a proper right to know the total cost of a contract, and to be informed of an actuarial forecast of the cash flow commitments he or she is making on a scale commiserate with the likely term of that contract.

Further I urge the Commissioner to determine the following information to properly inform Australian consumers about these products:

1) The number of policies, as a percentage of all policies, that are carried to the life expectancy (as determined at policy commencement).
2) the number of policies, as a percentage of all policies, that are carried to the life expectancy (as determined at policy commencement), that remain properly indexed so as the maintain their insured value.
3) Publish these percentages in the Commission's public finding.

Thank You